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No. 8

• • CONTENTS • •

A NEW TECHNIQUE IN EXECUTIVE TRAINING 226
A. B. Gates

EXAMINATION PAPERS, 1936 238

REPORT OF COMMITTEE ON CHAPTER ACTIVITIES 246

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A New Technique in Executive Training

By A. B. GATES

Director of Training, Eastman Kodak Company, Rochester, N.Y.

(Before the Personnel Association of Toronto, March 24, 1936)

THERE is an old saying that "necessity is the mother of invention," I think that was true in our case in establishing a training or conference programme because the growth of the Eastman Kodak organization from a one-man company in the early eighties to an organization of nearly twenty-five thousand in the late twenties has been consistent and, as you can see, rapid. In the late twenties, many of the executives felt that, because of this rapid growth, and because of the large increase in the number and size of units of organization, it was becoming increasingly difficult to be sure that management policies were being uniformly interpreted and applied—especially as they applied to the matter of supervision.

Early in the history of the development of our Company, the policy of dividing the activities up in accordance with the nature of the activity and product, and making each person heading each group responsible for results, was well established. Such an organization set up insures a control of the various units of organization and insures effective management of those units. At the same time it makes a large number of people executively responsible for results in a large number of groups. To be sure of co-ordination, therefore, it is necessary for management in such an organization to carefully state company policy carefully and to be sure that that policy is uniformly understood and applied. They felt that, because of the increase in the number of units, that it was becoming more and more difficult to be sure of that uniform interpretation. After a thorough study of existing supervisory training programmes which included inspection trips to companies carrying on conference programmes of executives and supervisors, it was decided that in any programme that was started the line organization would be made responsible for results—that is, responsibility for any programme that was established would be placed on the various units. That would make each plant responsible for the programme that it carried on and, if the plant were large enough, each department would be responsible in turn for the work. This set up was logical in the case of our particular type of organization because, as I have pointed out, each executive is responsible for results, and that, of course, includes developing and maintaining an adequate and effective working force.

A NEW TECHNIQUE IN EXECUTIVE TRAINING

Purpose of the Programme

In any programme such as we undertook, it is essential that you start out with a definite purpose. If the programme is going to be carried on over a long period, you can't be sure you start right or that you will end where you expect to, unless you know where you are going. It was agreed that the purpose of the programme should be to develop a more effective control of operations through creating, throughout the organization, a uniform interpretation of management's attitude toward the problems arising in getting the work done and where possible, through establishing improved methods of carrying on the work. A better understanding of the reasons back of company policy and procedures, and a better understanding of those policies themselves, will fit employees for promotion. But the primary purpose of the programme was not to fit people for promotion but, especially in the case of supervisory, staff and similar employees, to make them more effective in their positions—thus making the operation of the Company more effective.

Organization to Carry On the Programme

At the general offices of the Company persons were selected who could represent the various branches of the business, who could be consulted on matters of policy, and who could help in building and conducting the programme. The work was started at Kodak Park because it is the largest production unit in the organization. At present there are about 8,500 employees at Kodak Park and approximately 13,000 total in Rochester including in addition to Kodak Park the Camera Works, the Hawkeye plant and the main office. The first step in organizing was to appoint an advisory or steering committee. This committee was appointed at the Park with a membership of ten which included the executive heads of the various branches such as production, engineering, accounting, etc.—heads of the line, staff, service and control units of the organization. The Plant Manager or Works Manager is chairman of this committee.

Then the superintendent of each department appointed the man who was to lead the meetings or conferences in that department. In some cases where there were more than one group in a department more than one group leader was appointed. The superintendents, the assistant superintendents, and staff men of corresponding rank in the various departments were then organized into leader groups. There were six of these leader groups with a membership of from fifteen to eighteen in each group. Then the departmental foremen or supervisors were organized into similar groups. In the leader groups we tried to get in each group as nearly plant-wide representation as possible so that the discussions would be from the standpoint of plant-wide application.

COST AND MANAGEMENT

At the preliminary meetings of the advisory or steering committee, it was agreed that departmental meetings would be limited to one meeting of not more than two hours a week. After the programme had been in operation about a year the time was cut down to one and one-half hours a week, and later to one hour per week. It was also agreed that all text material and problems would be reviewed and approved by the steering committee and would be discussed by the leader groups before they were discussed by the departmental or supervisors' groups. Then a consolidated summary of the notes of leader groups' discussions, after being carefully edited and changed were necessary, and were finally approved by the steering committee and then made available to the leaders before they attempted to develop the material in their own departmental groups. This procedure is meant to insure that all text material will be in line with management's attitude, and also that a uniform interpretation of the application of the principles covered in the text and developed in the discussions will be established throughout the plant by means of discussing them in the leader groups in each of which is included plant-wide representation.

When those responsible for the programme were ready to introduce it, the plant manager issued a letter to the departmental superintendents in which he outlined the purpose of the programme and the methods which would be followed. He also emphasized the fact that, although the plan might be termed a "training programme," its primary purpose was to develop a uniform interpretation of management's attitude, and to pool the experience of the executives and supervisors in arriving at the selection of the best methods of making management's attitude most effective.

Text Material

It was agreed that each of the subjects to be covered should be presented by a brief statement of the principles and policies involved. This text material should also include case problems, the discussion, and solution of which would develop the application of the principles in the supervisor's work.

The selection of the subject matter was based on the purpose of the programme which, as has been stated, was to make supervision effective in the control of operations. The first step in any training should always be an analysis of the job to be done. This analysis should develop the standard method to be followed in doing the work. It should also identify the difficulties in technique which must be mastered by the worker if he is to become effective. We believe that, as in all other work, there is a technique of management or supervision, and there are difficulties which must be mastered if the supervisor is to be effective in directing the activities of others.

In an analysis of the job of supervision it is apparent that

A NEW TECHNIQUE IN EXECUTIVE TRAINING

most of the causes of ineffectiveness of supervision can be classified under one of three general groups: If something goes wrong in the organization and supervision is at fault we can trace it back to one of three general headings:

1. Insufficient knowledge of the company's aims and desires or policies as they apply to each class of work and job.

2. Lack of definite knowledge of the individual's responsibility and authority—that is, the exact scope of his job. As you know a lack of this knowledge in any field very often leads to clashes of real and assumed authority which makes for difficulty and lack of co-operation.

3. Lack of knowledge of inter-unit and inter-individual relationships that grow out of these responsibilities.

The first step, then, in making supervision effective, and one which must be taken whether or not a formal training programme is undertaken, is to make provisions to guard against these causes of ineffectiveness. To do this, management in its organization set up and in its policies and regulations must assure certain definite provisions.

1. Each activity must be classified and grouped with other similar or related activities into functional groups.

2. Responsibility for results in each activity and group of activities must be definitely placed, and the necessary authority to get results must be delegated to the person made responsible for results. This, in a more simple statement means that:

First—There must be some one and only one person directly responsible for each activity which must be carried on.

Second—There can be no divided, joint or dual responsibility, for results.

Third—Two persons cannot be responsible for, or have authority over, a given activity except as one is responsible or subordinate to the other. We must make these provisions in our organization set up if we are to have effective control of operation; without these provisions there are bound to be clashes—usually of real and assumed authority—which leads to difficulties and to lack of co-operation.

3. Definite lines of authority must be established. There must be one line of authority from each worker or working group to the top of the authority line.

4. Each individual must know his place in the organization—this means that:

- a. He must know the nature of the responsibility placed on him.
- b. He must know the scope and limits of the authority he is expected to exercise.

COST AND MANAGEMENT

- c. He must know the management's aims and desires as they apply to the work for which he is responsible; this is especially true in the case of the supervisor.
- d. He must know his relationship to other individuals and groups growing out of his responsibilities.

5. Finally, management must set up such co-ordinating and control plans and units of organization as are necessary to keep the activities in line with management's aims.

Now this analysis of the provisions that management must make to insure effective control gives us some inkling of what we must cover in a discussion of the supervisor's part in making that control effective. This however does not complete the analysis. The problems of management must be broken down in sufficient detail to disclose the nature of the responsibilities so that each supervisor may be informed as to the exact scope and nature of his job. To carry this on further, a manufacturing business, to be successful must produce a commodity for which there is a demand or for which a demand can be created. Production must be carried on to meet this demand which is based on the usefulness of the commodity and the use made of it. The customer demand determines the necessary quality of product, in the last analysis it also determines the allowable cost, and it certainly determines at what time and in what quantities production must be carried on. It is thus apparent that management in a manufacturing business is interested in production of a quality, at a cost, in a quantity and at a time which will satisfy this customer demand. All of these factors have a direct bearing on the actual process of production. The supervisor's responsibilities therefore must include the responsibility for cost control, quality control and scheduling of the work as to time and amount of production, in so far as he can control these items.

In carrying on the production process, the foreman or direct supervisor directs labour in the use of machinery, equipment and materials in accordance with established schedules, methods and procedures. Every production process involves the direction of the activities of workers and, therefore, personnel problems are important in supervision.

Then from this analysis we decided, and it has worked out satisfactorily, that the responsibilities that should be considered in an organized programme should include:

- a. The principles of organization and management.
- b. Personnel problems (handling the human factors and employee relationship).
- c. Cost control (efficient use of equipment, materials and labour).
- d. Quality control (holding to established standards).
- e. Scheduling (the control of production as to the time and quantity).

A NEW TECHNIQUE IN EXECUTIVE TRAINING

There are several other factors or responsibilities which are commonly thought of in connection with the foreman's duties such as—safety, care of machinery and equipment, house-keeping, control of waste, maintaining methods, co-operation, and we could go on and add a long list of them, but I think you will see that it is obvious that most of these factors run through or affect some one or all of the five major responsibilities and interests which have been enumerated.

Discussion and Use of Text Material

The first unit of our text covers a general introduction, which has for its purpose the development of a clear conception of the supervisor's place in the organization, of his general responsibilities, and of his relationship to the workers and to upper supervision. The text material for this unit consists of a brief discussion of management, policies, responsibility and authority, and of the various units of organization such as line, service or facilitation, control and staff; and of the relationship of these various units. The development of an understanding of these items is very important if we are to develop a uniform, correct conception of the relationship of one to another. The discussion of the problems in this unit is conducted in such a way as to bring home to the supervisor the importance of policies, the relation of authority and responsibility, and the methods of and reasons for their limitations; and also so as to develop a clear conception of line, staff, service, and control units of organization, and the relationship between them.

The principles of organization are presented by a brief talk, illustrated by charts which show the growth of the company organization. This presentation illustrates forcibly how, as the organization grew, the like or related activities were divided and subdivided into groups which formed the basis for the present organization. It also illustrates how the necessary supervisors and executives are placed throughout the organization to insure co-ordination of the work, and how and why staff men, service, and control units of organization have been introduced.

This presentation is followed by a general discussion in every group. And from that point on, the group meetings of both the leaders and the department foremen or supervisors are conducted on the conference basis. Although a printed statement or text is given to the group members, before the start of the discussion, quizzes on it or other direct school room approaches are avoided. In fact no reference is made to the introductory text material except as some members of the group may refer to it in order to illustrate a point in connection with the discussion of a problem. The discussion is developed from the case problems or situations, each of which has several questions set up to bring out the points which should have special emphasis.

COST AND MANAGEMENT

The results of the six leader groups' discussion of the problems in each unit are consolidated into a single set of notes organized so that these notes will parallel the presentation of the principles in the text material. These notes are considered carefully by the steering committee, revised when necessary, finally approved and a copy issued to each member of leader groups. Each leader then uses these notes as a guide in conducting the discussion in his own departmental group. After discussing the problems in a unit in his own departmental group, he prepares the departmental notes, which, if a good job has been done, parallel closely the notes developed by the leader groups. If a department is so large that there is more than one group, the departmental notes are consolidated when the discussion is completed. In one plant each group got so jealous of the material it developed that it was not willing to have its notes consolidated with notes of other groups, and it took us over a year to get them to see that if their notes were in conflict with management's point of view they would not be acceptable, and so they might as well get them together and have the discussions of all the groups consolidated into one. We finally won them over. That is the only case we have had of that kind—that wasn't the Toronto plant (laughter). Each leader issues the consolidated notes to his group and, if they include items not touched on by his group, he calls such items to their attention so that if they are not clear, he calls such items to their attention be cleared up before the notes are made a part of the finished text material.

Revisions and Changes in Method of Procedure

This method that I have outlined was followed through the first three years up to the Spring of 1934. The leader groups at Kodak Park had then finished the units of "The Principles of Organization and Management and the Foremen's Place in the Organization," "Personnel Unit," "Salary and Wage Administration," "The Cost Control Series of Seven Units," and the unit on "Accident and Fire Prevention." The departmental groups at Kodak Park and the groups at other plants were, on the average, one to two seasons behind the leader groups at Kodak Park.

Almost from the beginning of the programme, the leader groups at Kodak Park, made up principally of upper supervision, considered the problem cases not alone from the standpoint of direct supervision, but from the standpoint of management as well. This resulted in the development of much management material which might have been added to the text material. In many cases it developed a much more complete statement of management's attitude than had been available at the time the text had been issued; and that is what we hoped for. When such material was approved by management, and when a knowledge of it was essential to a complete understand-

A NEW TECHNIQUE IN EXECUTIVE TRAINING

ing by the foreman of his place in the picture, it was included in the notes. Because of the more specialized experience of the men participating in the departmental groups, it was apparent that much of the material developed in the leader groups could not be developed readily by discussion in the departmental groups. As the groups got into the discussion of cost and quality control, this difficulty became more apparent. The plants outside of Rochester had this same difficulty magnified because the leaders in these other plants did not have the benefit of first-hand participation in the development of the leader notes. This difficulty was also increased even at Kodak Park as the leader groups got further ahead of the departmental groups.

Management recognized this difficulty but did not want to forego the benefits derived from the management discussions in the leader groups or upper groups, and it wished also to pass on the results of such discussions to the departmental groups and to other plants insofar as this material was necessary to a complete understanding of the supervisor's responsibility in the matter under discussion.

After consulting departmental executives and leaders and management in other plants, it was decided to set up the consolidated Kodak Park leader group notes on each problem in two parts. The first part of these notes is labelled "Management Notes" and includes statements of management's policies covering our attitude toward the type of situation represented by the problem case and also any factual or technical information necessary to an understanding and a solution of the problem. The second, and usually the larger portion of the notes, is labelled "Conference Notes," and includes the material which should be developed in the departmental groups by conference methods.

It has also been discovered in many cases, to keep the discussion in line, the leader was forced to inform the group as to the exact purpose of the problem. Those of you who have conducted conferences know that, unless the group discussing a subject is pretty well straightened out at the beginning as to what you are after, you can go far afield and also waste a lot of time. It was found in many cases that it was necessary to state the purpose of the problem this can be done without disclosing a solution of the problem. For instance, the purpose of a problem might be "to determine the supervisor's responsibility for, or relation to, a given situation." If it were stated that way, the problem has still to be solved, but if you set up the purpose of the problem as "this problem is to show that the supervisor is responsible for, and his relation to this situation is so and so," it would leave no room for discussion.

Beginning in the Fall of 1934, all text material was given out as is the past. Then, previous to the discussion of each problem, the leader gives out the problem including the Management Notes.

COST AND MANAGEMENT

These notes include a statement of the purpose of the problem carefully stated so it does not defeat its purpose, and a statement of any company policy or management attitude toward the situation represented by the problem, and any factual or technical information essential to the solution of the problem.

These Management Notes are carefully considered by the departmental group and, if, in the discussion, any additions, revisions or apparently better ideas are developed, these are submitted to management for consideration and, if approved, are included in the final notes. The group then, by the discussion of appropriate lead question, develops through conference the solution of the problem and the application of the principles involved to the problem and then to similar situations in its own work. In general, this use of Management Notes with the problems involves the addition of small supplements or appendices to the text but placed with the problem so that the application is more apparent than would be the case if the same information were made a part of the text.

The same procedure is followed at the other plants except that either the local plant steering committee or the local plant leader groups must go over the text and the Management Notes developed by the leader groups at Kodak Park and made such changes as are necessary to bring the text and management notes in line with the local conditions. When these revised text and management notes are approved by the local plant management, they are issued to the groups and used as outlined above. This method has added to the interest in the programme and has saved time in the discussions. The organization at the other plants is just the same as at Kodak Park; the Works Manager is in every case chairman of the steering committee.

We have found that in the first unit with initial text material of about twenty pages, twenty pages were added as a result of the discussion in six leader groups. In the second unit, dealing in a general way with the problems of directing the personnel—that is personnel problems of supervision, a text of eleven pages which includes the problems grew into a total of fifty-six pages; and since the notes really contained the application of the principles to the problems of supervision, it can honestly be said that the groups have really built, or at least helped to build, the statement of company's attitude as to what should be done, and how it should be done in the matters discussed.

The purpose of the text material and Management Notes is to provide a common ground on which the discussion can be based. There is little use in trying to develop principles which, regardless of the amount of discussion, cannot be changed. We, therefore, have attempted to set forth briefly the fundamental principles back of

A NEW TECHNIQUE IN EXECUTIVE TRAINING

each company policy rather than build up a statement of these principles by the discussion of cases, to bring about a uniform interpretation of how the company policy should be applied.

Although this method appears academic, and in some ways appears to run counter to the conference programme advocated by many, it has built up and maintained the interest of those who have participated in the programme, and has resulted in developing in the departmental groups' meetings ideas which have in turn established new company policy. And we believe it has all of the possibilities of a pure problem study programme. It also has a decided advantage in saving valuable time in setting up some of the fundamentals without going through the painful and uncertain operation of developing them through pure conference. If we are to judge by the reaction of those participating in the programme, it seems to conform more directly to the way their jobs are set up. They feel that in practice management lays down general policies and expects supervision to work out the detailed interpretation and the application. It seems to me that it also lines up with what we would do if we had an operating problem in our organization in which, let us say, three departments were involved. We wouldn't think of trying to arrive at a solution without bringing into a discussion of it the men representing each one of those departments, and if it were necessary to bring in technical information that none of those men had, we wouldn't hesitate to call in staff men, who had this information, or to collect the information and make it available at the meeting.

The text material developed at Rochester, together with the notes of the leader meetings at Kodak Park, are used as a basis for similar programmes carried on in our other plants. The leaders in the other plants are brought to Rochester to go through a short series of meetings similar to those conducted for the leaders at Kodak Park and other Rochester plants. In these the theory and technique of conference procedure are discussed. These leaders also sit in on other meetings of the leaders and departmental groups so that they can get the feeling of the thing.

The organization for the work in the other plants is similar except that, because of size, it is not possible to organize the groups along departmental lines. Except for this, the programmes are identical. The text material is general enough in content so that few changes are necessary. Such changes in text material and Management Notes as must be made are made before they are issued so that in each case the original text and notes resulting from the discussions are the product of the local executives and supervisors.

Before discussing the results accomplished, let us review or summarize briefly the features of this programme which stand out:

COST AND MANAGEMENT

1. The analysis of the job of management and supervision based on the difficulties which must be mastered, and the nature of responsibilities and relationships which must be understood by supervision.

2. Organization of the subject matter along the lines of the major responsibilities of management and supervision, personnel, cost, quality and schedule.

3. The use of text to present a statement of management's policies, aims and desires, and the limiting of discussion in the supervisors' groups to development of interpretation and application of such policies and, where possible and necessary, to the revision of existing or development of new policy. We haven't cramped their style; we still hold the door open so that if they develop anything better, management welcomes it.

4. The combination of supervisory and management training in the same programme by means of the leader groups made up of upper supervision and executives. We are not limiting our programme to the discussion of direct supervision but the problems of management as well so as to get a broader outlook.

5. Setting up the responsibility for supervisory training as a function of the line organization making possible a minimum training done by executives and staff employees in the departments. That doesn't mean that we do not have control of programme; that programme is very carefully considered by management. Staff takes a large part, of course, in setting it up, in interviewing management, in getting the point of view in the plants, and in following through to see that the development in the various plants are in line with the general developments, and for example to bring to Toronto anything we have developed over there and to take over from Toronto anything that has been developed here. Without management and conference notes that would not be possible.

Naturally the question arises as to what has been accomplished by this effort. Training is the process of aiding the individual to acquire correct habits of thought and action. The individual's philosophy of life is the result of years and experience and contacts with other individuals. He cannot quickly change his attitude because he is brought into contact with new or restated ideas. If, however, this new philosophy is tied in with his responsibility for results on his job he can more readily grasp its implications and value and will be more likely to adopt it as his own, especially when he participates in setting up the interpretations. This, we believe, is what has happened as a result of our programme.

After the programme had been under way for a year or more, staff men said they were having less difficulty in getting things done in the line departments. The line executives, on the other hand, felt that it was easier to get on with the staff men. What

A NEW TECHNIQUE IN EXECUTIVE TRAINING

probably had happened was that each had come to a better understanding of the interest and responsibilities of the other. And with an understanding that there can be a community of interest without an overlapping of responsibility or clashing of authority, co-operation is possible.

In an organization in which executive responsibility for results has been placed on the head of each unit of organization, and in which staff, service or facilitating, and control units of organization have been set up cutting across the lines of authority, there are many opportunities for clashes of real or assumed authority. Under such conditions the co-operation essential to success between individuals and between units of organization is not readily forthcoming; it takes a great deal of effort to get it. Only through complete understanding on the part of each individual as to his own and others' responsibilities can he know the scope of his job and his relationship with others. We believe that our method of approach has brought about a better understanding in these matters and has led to better co-operation throughout the organization.

Examination Papers, 1936

FIRST YEAR COST ACCOUNTING

May 22, 1936

7-10 p.m.

Marks

- 10 1. (a) Outline briefly the general procedure followed in determining costs under a Job Cost System.
- (b) Under what manufacturing conditions would you recommend the adoption of the Job Cost Method?
- 12 2. The XYZ Company uses the Rowan Premium Plan of wage payment.
- Workmen A, B, & C are doing the same type of work and their wages are based on the same standard rate of 80c per hour.
- On May 1st, A, B, & C were each given a job for which the Standard Time was 6 hours.
- A's time on his job amounted to 4 hours, 30 minutes, B's time to 5 hours, 45 minutes, and C's time to 6 hours 50 minutes.
- Show—
- (a) the total remuneration received for each of these jobs by A, B, & C respectively.
- (b) the hourly rate earned by A, B, & C respectively.

COST AND MANAGEMENT

- 16 3. (a) Explain the method of control of the Cost Records through the medium of the Factory Ledger.
- (b) Give entries necessary to set up the following on all records concerned
1. When control is exercised through a Factory Ledger.
 2. When control is exercised directly through the General Ledger.
- (a) Materials purchased on credit and placed in stores \$20,000
- (b) Issue from Stores of
- | | |
|-------------------|--------|
| Direct Material | 12,000 |
| Indirect Material | 3,000 |
- (c) Total wages earned
- | | |
|-----------------|-------|
| Direct Labour | 8,500 |
| Indirect Labour | 1,500 |
- (d) Sundry Manufacturing Expense Incurred 6,000
- (c) Indicate, for each set of records, the source of information for each entry.
- 22 4. The Lincoln Production Company decides to distribute its Direct Labour and Manufacturing Expense in Department X on the Machine Hour Basis, establishing a separate rate for each machine. The charges debited to Department X for the year 1935 together with details of its department organization, are given below—

Charges, Department X — Year 1935	
Supervision	\$ 5,000
Direct Labour	20,000
Taxes — Machinery	1,400
Taxes — Factory Building	1,200
Fire Insurance — Machinery	280
Fire Insurance — Factory Building	240
Workmen's Compensation Insurance	500
Factory Supplies	3,100
Power	830
Light & Heat	450
Depreciation — Machinery	7,000
Depreciation — Factory Building	3,000
	<u>\$43,000</u>
	<u>=====</u>

EXAMINATION PAPERS, 1936

Machine Number	Value	Floor Space in sq. ft. occupied	Horse Power Hours	Direct Labour	Factory Supplies	Hours Operated
1	\$ 3,000	100	7,500	\$1,800	\$ 200	1,500
2	6,000	300	8,000	2,100	250	1,600
3	4,000	200	10,000	2,000	350	2,000
4	30,000	1,000	24,000	7,500	1,400	1,200
5	20,000	800	22,500	4,000	600	1,500
6	7,000	600	11,000	2,600	300	2,200
\$70,000		3,000	83,000	\$20,000	\$3,100	10,000

- (a) Determine the machine hour rate for each machine, showing in detail how you arrive at the result.
- (b) Assuming that the Company was satisfied with an hourly rate for the department as a whole, determine that rate and show your calculation.
- 12 5. (a) Draw up a Stores Ledger Sheet.
- (b) Enter thereon the description of the unit and the following information —
- May 1, 1936 — Purchase Orders outstanding —
- Pur. Order No. 2361, J. Howard & Co. for 200 units.
- Pur. Order No. 2510, H. Bowers Ltd. for 100 units.
- May 2—Received 100 units @ 52c on Pur. Order No. 2361.
- 4—Issued 60 units on Req. No. 890.
- 4—Received back into stores 10 of the above units returned.
- 5—Received 100 units @ 55c on Pur. Order No. 2510
- 7—Issued 70 units on Req. No. 916.
- Issues are made under the average cost method of pricing.
- 28 6. The Rexford Spinning Co. Ltd. operates a process cost system. Its operations are divided into four departments, Viz.—
- (a) Soaking
- (b) Winding
- (c) Spinning
- (d) Re-drawing
- Materials are issued in full to the Soaking Department at the commencement of production and will not be considered in this calculation. Costs are determined for each process on the basis of pounds. No inventories were on hand on January 1st., 1935.

COST AND MANAGEMENT

Charges for the year ending December 31st., 1935, were—

Soaking Department labour	\$ 5,300
Winding Department labour	22,080
Spinning Department labour	20,990
Redrawing Department labour	26,870
Superintendence — distributed equally to departments	8,400
Soaking Supplies & Expense	2,830
Spinning Expense	3,610
Redrawing Expense	1,290
General Manufacturing Expense—	

—50% of Direct Labour in each department.

The production record for the year showed the following quantities in each department.

	Started in Process	Finished & Transferred to next Department
Soaking	1,250,000 lbs.	1,100,000 lbs.
Winding	1,100,000 lbs.	1,000,000 lbs.
Spinning	1,000,000 lbs.	920,000 lbs.
Redrawing	920,000 lbs.	880,000 lbs.

Work is operated on in each department in turn. Work remaining on hand in each department on December 31st., 1935, is estimated to have one-half of that department's operation completed.

Prepare process cost statement showing—

- (a) Cost of each process
- (b) Cost per pound in each process
- (d) Total accumulated cost after each process
- (d) Total accumulated cost per pound after each process
- (e) Value of inventories of Work-in-Process as at December 31st., 1935
- (f) Cost of finished product (excluding materials) transferred to Finished Goods.

SECOND YEAR ADVANCED COST ACCOUNTING

April 27th., 1936

7.00 p.m. to 10.00 p.m.

- 10 1. Summarize the particular advantages offered by an effective Cost Accounting System in the audit of the affairs of a business.

EXAMINATION PAPERS, 1936

- 10 2. The Monroe Manufacturing Company distributes manufacturing expense by using direct labor hour departmental rates, determined at the close of each month.

Last month the rate for department X was almost double that of the prior month and the President of the Company claims that an error has been made.

The Cost Accountant states that he has determined the rate as usual and that his computations are correct.

You are called in to investigate and you discover that one half of the machines in the department were practically idle during the greater part of the period, which accounts for the increase in the burden rate.

Discuss the matter, explain briefly your conclusions and the method of handling which you recommend.

- 20 3. The following budget has been prepared by the Carswell Foundry Company for the first three months of 1936, based on estimated production which is considerably below capacity.

Sales (500 Tons of Castings at \$100 per ton) \$50,000

Manufacturing Costs —

Raw Materials	\$8,000	
Labour — Melting and Pouring Dept.	6,000	
Labour — Mold and Core Making Dept.	6,000	
Labour — Cleaning and Grinding Dept.	2,000	
Superintendence and other Labour	4,000	
Operating Supplies	2,000	
Power, Light and Heat	2,000	
Repairs and Maintenance of Equipment	4,000	
Insurance, Taxes and Depreciation of Equipment	4,000	
Rent	6,000	
	44,000	
Less Value of Foundry Scrap Reclaimed	2,000	
Cost of Goods Manufactured		42,000
Gross Profit		8,000
General Overhead Expenses		
Selling	2,000	
Administrative	4,000	6,000
Net Profit from Operations		\$2,000

COST AND MANAGEMENT

At about that same time the manager received a request to quote an order for 50,000 castings, to be furnished at intervals during the next three months. This order had not been anticipated and was not provided for in the above budget. The manager is very anxious to secure this order, even though no profit may be realized on it. He directs that an estimate be made of the lowest price per casting at which the order can be handled without loss to the Company.

The castings weigh 10 pounds each. Molds will cost about 10 cents per casting for labour, and cleaning and grinding labour will amount to about 4 cents per casting. Melting and Pouring labour, Operating Supplies, and Scrap Reclaimed will increase in proportion to production. Power costs and repair and maintenance expenses will increase 5 per cent for each 10 per cent. increase in tonnage produced. The material formula is the same for all castings produced. Superintendence, indirect labour, and fixed charges will not vary. It is estimated that \$500 will cover any additional General Overhead Expense.

Required—

- (a) Statement showing price per casting which the manager may quote.
 - (b) Revised Budget based on production including the above order.
- 8 4. Prepare a bar-chart to show the amount of material, Direct Labour, Manufacturing Expense, General Overhead Expense, and Net Profit included in each Dollar of sales as estimated in the Original Budget as submitted in Question 3 above.
- 14 5. (a) What is an "Estimating Cost System"?
(b) Explain briefly, by stages, the procedure followed in the operation of an Estimating Cost System.
- 38 6. The following is the Trial Balance of the Empire Machine Company as at January 31st., 1936.—

Cash	\$10,150
Accounts receivable	40,000
Material Stores Control (Actual)	13,930
Work-in-Process (Standard)	8,000
Finished Goods (Standard)	5,000
Inventory — Factory Supplies	700
Prepaid Fire Insurance	180
Prepaid Workmen's Compensation Insurance	588
Land	10,000
Factory Buildings	60,000
Machinery & Equipment	30,000

EXAMINATION PAPERS, 1936

Reserve for Depreciation Machinery and Factory Buildings		\$15,500
Accounts Payable		13,800
Accrued Taxes		200
Accrued Payroll, (Direct Labour only)		1,040
Capital Stock		125,000
Surplus, January 1st., 1936		20,610
Sales		50,000
Cost of Goods Sold	36,000	
Indirect Labour	3,100	
Deprec. Mach & Bldgs.	3,500	
Light and Heat	900	
Taxes	200	
Fire Insurance — Factory	120	
Workmen's Compensation Insurance	112	
Sundry Factory Expense	200	
Power	1,400	
Selling Expense	3,500	
Administrative Expense	8,400	
Material Variance	70	
Labour Variance	100	
Manufacturing Expense Absorbed (Standard)		10,000
		<hr/>
		\$236,150 \$236,150
		<hr/>

Charges and credits are made to Work-in-Process and subsequent accounts at Standard Cost. Inventories of Material Stores are carried at Actual Cost, and inventories of Work-in-Process and of Finished Goods at Standard Cost.

Sundry Information

- (a) Inventories January 1st., 1936 —
 - Material Stores (Actual) \$12,000
 - Work in Process (Standard) 4,000
 - Finished Goods (Standard) 9,000
- (b) Raw Materials purchased during
the month (Actual) \$20,000
- (c) Direct Labour charged to Work-in-
Process for the month (Standard) \$8,000
- (d) Direct Labour Accrued—Jan. 1st., 1936 \$ 820

Required —

- (1) Journal Entries made prior to arriving at the
above Trial Balance

COST AND MANAGEMENT

- (a) to record material purchased, direct labour earned, and wages paid.
 - (b) to charge materials, direct labour, and manufacturing Expense absorbed to Work-in-Process.
 - (c) to record transfer to Finished Goods of production completed.
 - (d) to record product sold.
- (2) Schedule of Manufacturing Expense for the month of January — showing variance for expense under or over absorbed.
 - (3) Manufacturing Statement for the month of January — showing cost of Production at Standard.
 - (4) Trading and Profit and Loss Statement for the month of January — showing variances adjusted against Cost of Goods Sold.
 - (5) Balance Sheet as at January 31st.
-

SECOND YEAR INDUSTRIAL MANAGEMENT

April 28, 1936

7:00 p.m. to 10:00 p.m.

1. Name and describe three methods of distributing indirect expense.
2. What is a "Production Centre?" Explain how you would analyze a product in terms of production centres to determine space requirements for the manufacturing process.
3. Would the shop employee, capable of average performance only, prefer to work under a "Taylor Differential Piece Rate" or an "Emerson Efficiency Wage?" Give the reasons for your answer. A full explanation is required.
4. What would be the comparative earnings in an 8 hour day of a machinist with a 30 minute job finished in 20 minutes; in a Halsey $\frac{1}{2}$ bonus shop, and a Rowan shop. Day wages are 50 cents per hour.
5. Name and describe the general functions involved in the control of materials. Your answer should cover the entire sequence of steps from the time a customer's order is received until the final shipment of finished goods.

EXAMINATION PAPERS, 1936

6. A workman in a shop using Emerson Efficiency Wage, with an 8 hour day, finished $5 \frac{1}{3}$ jobs of 10 hours standard time each in a six day week. If the day wage were 50 cents per hour, what would be his total wages? For the same work, what would the man have earned if his shop had been using the Gantt task system with a 30 per cent bonus.

7. Point out the advantages of one story buildings for manufacturing purposes. What principal factors should determine the location for a new industry.

REFERENCE LITERATURE

RECEIVED IN JULY

Homestead Corporations, Uniform System of Accounts for. Certified Public Accountant, July.

Textile Industry, Cost Problems in Selling in the. The Cost Accountant, June.

Terminal Costs. The Cost Accountant, June.

Production Cost Control. The Cost Accountant, June.

Motor Freight Carriers, Waybilling and Accounting for. The Journal of Accountancy, July.

Budget, Ye Olde. The Journal of Accountancy, July.

Depreciation—on Straight Line Basis or on Volume of Production. Also a summary sheet for analysis and control of Depreciation. National Association of Cost Accountants, July 1.

Newspaper Accounting. Canadian Chartered Accountant, July.

Budgetary Control. The Accountant, June 20 and 27.

Economic Factors in Costing. The Accountant, July 4 and 11.

Farm Cost Accounting. The Accountant, July 4.

ONTARIO INSTITUTE of CHARTERED ACCOUNTANTS

At the annual meeting of the Institute of Chartered Accountants of Ontario, held in Toronto in June, the following officers were elected:

President, Kris A. Mapp; 1st vice-president, A. B. Shepard; 2nd vice-president, Gordon D. Campbell; secretary-treasurer, J. W. Taylor. Council: P. H. B. Dawson, H. P. Edwards, G. C. Ferrie, J. F. Gibson, R. R. Grant, F. C. Hurst, W. G. H. Jephcott, A. E. Nash, J. W. Taylor, A. S. Tindale, and G. A. Welch.

Report of Committee on Chapter Activities, 1935-36

FORMATION:

The present Committee on Chapter Activities was formed in accordance with the request of President R. W. Louthood, under date of August 11th, 1935, for the purpose of continuing the work commenced in the previous years of

- (a) studying the activities of our Society in its various Chapters, not only as regards Chapter meetings, but including such other functions and activities as the Chapters may find valuable, and
- (b) making such recommendations to the Dominion Board as thought advisable for the improvement and extension of our activities to the benefit of our members and profession.

REPORT, 1935:

A report was submitted by the preceding committee at the annual meeting of our Society held at Hamilton on May 27th, 1935, and was tabled for consideration.

We respectfully commend the above report, copy of which is attached hereto, to your attention (see below.)

Information and suggestions included herein are presented as supplementary to that report.

UNIFORM SUBJECT FOR CHAPTER DISCUSSION:

Three subjects were suggested for discussion in all Chapters for the current year, viz.:

- (a) Minimum Wages in Relation to Costs.
- (b) Cost Finding in the Pulp and Paper Industry.
- (c) Standard Costs.

The first item was withdrawn on advice of the General Secretary.

It was recommended that the Chapter papers should be used as the basis of comprehensive treatises to be prepared and issued at the end of the session in either of the following forms:

- (1) Papers as delivered, verbatim, with an editorial resume dealing with the work covered, or
- (2) A comprehensive thesis, combining the papers delivered, and made into a logical whole.

The result during the present session was not particularly gratifying. No advice of discussions on the subjects suggested has been received, except in Montreal Chapter, where the following were arranged:—

- (a) Sept. 28/35—Inspection visit to Canadian International Paper Co.'s newsprint mill, Three Rivers, P.Q.

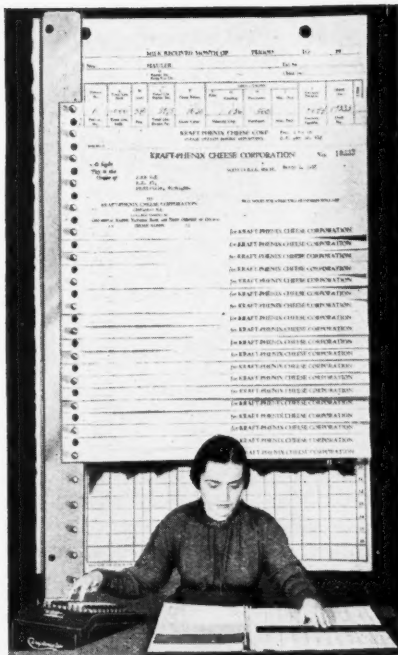
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COST AND MANAGEMENT

- (b) Oct. 4/35—Mr. John Stadler—"Newsprint Industry in Canada, Past, Present and Future."
- (c) Nov. 1/35—Mr. P. H. Huot—"Accounting in the Pulp and Paper Industry."
- (d) March 27/35—Mr. Eric A. Camman, C.P.A.—"Standard Costs."

We believe the suggestion of a uniform subject to be a good one and submit it to the attention of the incoming Board in the co-ordination of programs next year when an earlier start may be made. "Cost Accounting as related to Governmental Services" has been submitted to the Committee as a suitable subject.

QUESTIONNAIRE:

A brief questionnaire was forwarded during the session to members of the committee for the purpose of securing comparative data for use by the various Chapters.

Replies have been received from the following:

Hamilton Chapter—H. P. Wright

Toronto Chapter—W. A. McKague

Montreal Chapter—P. W. Wright

Mr. T. E. Saul, the Winnipeg member of the Committee, advised that lack of activity in that Chapter prohibited any helpful information at that time. We regret that information has not been secured from Central Ontario Chapter.

(a) Frequency of Meetings:

Fortnightly—Hamilton and Montreal.

Monthly —Toronto.

(b) Form and Time of Meetings:

Hamilton—Evening meetings—Dinner at 6.30—meeting 7.45 lasting about 1½ hours. About 50% of members meet the speaker at dinner, meeting follows later in another room. Believe present type beneficial and preferable.

Toronto —Evening dinner meetings — Dinner at 6 p.m., meeting lasting until 9 or 10 p.m.

Average attendance—60.

Procedure—(a) Dinner, (b) Speaker, (c) Discussion
"Preferable through process of elimination of other types."

Montreal —Evening "Speaker" Meetings—Meeting at 8 p.m. for business and questions, Speaker at 8.30 p.m., lasting until 10.00 p.m.

Procedure—(a) Minutes, resolutions, routine business, committees, question period (b) speaker, (c) Discussion.
Average Attendance—varies from 30 to record of 175.

Preferable—"Fairer to the whole membership to have a full evening meeting with subjects of sufficient value to attract attention".

REPORT OF COMMITTEE ON CHAPTER ACTIVITIES

(c) Formal Dinners:

Hamilton—Only dinners those mentioned above. Pay for themselves with small deficits. Very successful.

Toronto —Dinners as above.

Montreal —One or two formal dinners per year. Usually show a loss which is charged to advertising and considered one of the best investments. The members enjoy the dinners and much valuable publicity is gained. Very successful.

(d) Functions of a Special Character:

	Hamilton	Toronto (Bridge)	Montreal
Smokers	Yes		Yes
Successful?	Not very	*	Yes
Plant Inspections	Yes	Yes	Yes
Successful?	Very	*	Yes
Debates	No	No	Yes
Successful?	—	—	Yes
Golf Tournaments	Yes	Yes	Yes
Successful?	Fairly	*	Yes
Specials	Yes	—	Sometimes
Successful?	No	—	—

*Not quite as good drawing cards as regular meetings

Would like suggestions from other Chapters. Our smokers are really social evenings affording the members the opportunity of becoming better acquainted and a chance to welcome new members. They are informal, of course, and seem to be really enjoyed by the members and their guests. Debates are sometimes between our regular members, sometimes between regular and student members and sometimes with sister societies. Plant inspections are of great value and interest—we cannot do too much of it. Out of town plants should be visited at least once a year.

(e) Other Services Recommended:

Hamilton—No Comment

Toronto —Essential purpose of local Chapters is to hold meetings.

Montreal —With the aims and objects of the society, as set out in the constitution, always in mind, our duty can be fulfilled by keeping our Chapters strong and active through the efforts of a strong Chapter directorate who must plan valuable programmes, who must be alive to changing

COST AND MANAGEMENT

conditions as they affect the field and scope of cost accounting and industrial engineering, and who must secure and hold the interest and support of each and every member. Our Society cannot continue to live and flourish without time and effort being given to its activities by a hardworking and loyal executive.

(f) Conclusion:

The above information was compiled and is submitted herewith in the sincere belief that it will not only be of interest from a comparative point of view but that it will furnish practical suggestions to each of us through the solutions found by other Chapters confronted with the same problems.

We believe a committee of this kind, working in full co-operation with the Chapters and the General Secretary, to be very useful and we suggest its continuance to carry on the work which has been started. Operating headquarters should be changed in the coming session, preferably to Toronto or Hamilton.

Signed on behalf of Committee on
Chapter Activities

D. R. PATTON

Montreal, May 30th, 1936.

Chairman.

REPORT OF COMMITTEE ON CHAPTER ACTIVITIES

The following is the report submitted a year ago, and
referred to above

INTRODUCTION:

Submitted by the undersigned on behalf of the Committee on Chapter Activities, appointed in accordance with resolution of the Dominion Board of November 12, 1934.

Chapter representatives designated in Cost and Management have been communicated with but all replies have not been received to date.

MEETINGS:

Form of Meeting:

Local conditions will probably dictate the form in which chapter meetings will enjoy the greatest measure of success—whether that form should be (a) fortnightly evening educational meetings, (b) monthly dinner meetings, or (c) luncheon meetings.

Experiments as to the comparative value of the different types might be made by the Chapters from time to time.

SPEAKERS:

Speakers might be broadly divided into two classes—

- (a) Prominent men, outstanding in their line of endeavour, who by their reputation will attract good attendance.

REPORT OF COMMITTEE ON CHAPTER ACTIVITIES

- (b) Practical men, who from their experience can speak on ordinary or technical topics as applied to actual operations.

Each class has its place on a Chapter Programme but great care should be exercised in the selection.

Too often we are forced to accept any speaker available and to hear the subject which suits him best.

Selection, according to Chapter needs, is rendered a bit more difficult by the fact that Chapter finances preclude the payment of any honorarium.

Too often, too, we are diffident about going after the better men because of the probability that a discouragingly small number will gather to hear his talk.

SUBJECTS:

The choice of subject is equally, if not more, important than the choice of speaker. Subjects should be of such a nature as to arouse the interest of our members and provide material of real educational value. They should be of such varied interest as to appeal to and provide information to as many sections of our membership as possible.

The General Secretary has suggested the treatment of a subject, or of separate parts of a subject, as a series embracing all chapters.

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We believe that this suggestion is an excellent one and submit the following alternative proposals:

(a) That a series of papers, treating with parts of the same general subject, be drawn up and discussed at Chapter meetings—simultaneously if possible—and that the whole series be reproduced in Cost and Management.

We would recommend treatment of one of the following groups:

SUBJECTS:

(1) Cost Accounting and the exploration of its present and possible relations to Governmental Services—

(a) Cost Accounting and Minimum Wage Legislation.

(b) Cost Accounting and the Tariff Board.

(c) Cost Accounting and the Commission on Industry and Trade.

(d) Cost Accounting and Income Tax.

(e) Cost Accounting and its aid in the preparation of Commercial Legislation.

(2) Applied Cost Accounting—Description of Actual Cost Systems in use, e.g.—

(a) Cost Findings in the Pulp and Paper Industry.

(b) Cost Findings in the Steel Industry.

(c) Cost Findings in the Power Industry.

(d) Cost Findings in the Textile Industry.

or (b) That a Cost Subject be selected, of sufficient scope to be of interest and value to a large portion of our membership to be developed by a series of papers given in the different Chapters as follows—(a) First paper in Chapter A—to be published in the first succeeding issue of Cost and Management.

(b) Second paper in Chapter B, following along from the ground covered by paper A, and so on. Instead of making publication in Cost & Management as above, speaker A might forward copy of his paper to the succeeding speakers, speakers B, C & D likewise, and the whole published in one issue of Cost and Management.

In place of report in Cost and Management as above, verbatim records, or summaries, or the papers themselves, might be forwarded by the Chapter Secretaries to the General Secretary, and a centralized treatise prepared by the General Secretary or by the Editorial Committee for insertion in the magazine.

Such a treatise would be comprehensive and of real value—developed, concluded and reported for the use of the members.

A few suggested subjects follow:

Unemployment Insurance

Property Accounting

Appraisals



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REPORT OF COMMITTEE ON CHAPTER ACTIVITIES

sent, than a well-attended meeting, and the result is bound to react to the benefit of the Society and its membership.

Each and every meeting must be of high quality so that the members will have confidence in each event, members must not be induced to attend and then be disappointed.

SPECIAL SERVICES:

WELFARE:

The Society and its members have responsibility toward, and should manifest interest in, its members, particularly at times when they may be incapacitated or bereaved or when they require special attention.

EMPLOYMENT:

The matter of providing employment should be pressed as vigorously as is practicable.

It is recommended—(a) that each Chapter keep up to date record of members or students desiring employment, preferably under the direction of the Chapter Chairman—(b) that the General Office be advised of all persons available and that they co-operate actively with the Chapters—(c) that a brief numbered list of persons available be published frequently (monthly, if thought desirable) in Cost and Management.

LIBRARIES:

If funds can be made available, libraries consisting of the most up-to-date works in Cost Accounting, Industrial Engineering and Organization, and related subjects should be maintained in the office of the Secretary of each Chapter.

Members should be advised of literature available and encouraged to make full use of it.

It is recommended that each Chapter, directly or through its Secretary, become an ordinary member in the National Association of Cost Accountants, that the Chapter Secretary file all literature received, and that he forward advice of receipt of such literature to all Chapter members, as a notation on the first notice of meeting subsequently forwarded to such members.

REPORT OF CHAPTER ACTIVITIES:

Report of Chapter Activities should be forwarded by Chapter Secretaries to the General Secretary for "Cost & Management" regularly each month.

CHAPTER PROGRAMMES:

Copies of Chapter Programmes should be forwarded to each Chapter of the Society.

In addition, Cost & Management should carry each month, summary of meetings and other activities in the various Chapters being held within the coming month.

COPIES OF STATUTES, ETC.:

Copies of Governmental Statutes, amendments thereto, or rulings

COST AND MANAGEMENT

Depreciation
Standard Costs
Wage Incentives
Rate Setting
Overhead Distribution

SPECIAL MEETINGS:

If a membership is to be interested it must be active. He would, therefore, suggest that, in addition to meetings of the above type, other meetings should be held from time to time which will require the participation of as many of the Chapter members as possible, e.g.

- (a) Plant Inspections
- (b) Open Forums or Debates among members
- (c) As in (b) but between members and students, or between our members and those of Sister Associations.
- (d) Typical formal meetings showing
 1. Annual Meeting of a Company
 2. Meeting of Creditors

In addition, active discussional period should be fostered in connection with each paper heard and in addition a limited period might be set aside each night either before or after the principal speaker for a short debate or discussion on topics of Current Interest to Society Members.

SOCIAL:

The social side of our Society should not be entirely disregarded. Annual Golf Tournaments are helpful—and at least one function should include the ladies—they should occasionally be able to see what sort of company their husbands or friends are keeping.

ATTENDANCE:

The success of any meeting is dependent on the support of the members and their attendance. Every encouragement should be given to members to attend and to take part in all activities.

Meetings should be "Warmed up" and made as sociable as is possible, members and friends should be made acquainted with others present. They should be made to feel at home, should be encouraged to make themselves known and to take part in the proceedings, and to feel themselves a tangible part of the function.

While meetings should be made so interesting that members will want to be present, full attendance is usually not possible without other stimulus. One chapter at least, has a system of Team attendance which if vigorously followed should have excellent results.

While greatest attention should be given to the attendance of members, every encouragement should be given to friends and even to the general public. Nothing gives greater satisfaction to the Speaker, to the Chapter Chairman, or to the individual members pre-

COST AND MANAGEMENT

thereon, of direct interest to our members, should be secured from the governments concerned and communicated to our members at an early date, either by summary in Cost & Management, or by distribution of copies of actual amendments, etc. This service is being well rendered by related Societies.

CO-OPERATION:

The closest possible co-operation should exist between the General Office of the Society and the Chapters. Each is dependent upon the other and demands from the other prompt attention to its business and help in its problems.

EDUCATION:

One of the most valuable functions of the Society is that of encouraging Education. A great deal of work has been done by those responsible for establishing the Educational Programme and this service is worthy of the greatest effort.

In only one Chapter is this end of the work being actively carried on at the present time, and there with considerable difficulty. If this phase of our work is to be of any value it must be a **Society** function, a **Dominion** function, and must receive the support and encouragement of all Chapters.

We must consider that this work is definitely established, to stay and to increase, and in connection therewith we would like to recommend—

- (a) Every effort throughout our Society to make the courses and the examinations and certificates valuable.
- (b) Consideration of closer co-operation with the General Accountants Association, in their educational work.
- (c) Provision of a Certificate which successful students will value and which they will be proud of exhibit.

The possibility of providing a definite degree as a **Qualified Cost Accountant** should be investigated, even with the amending of the Articles of incorporation, if that is found necessary. This should be done in such a manner as not to conflict in any way with the rights and privileges of any existing body of accountants.

MEMBERSHIP:

Increasing membership is necessary for the welfare of our Society. Statisticians tell us that Canadian conditions are definitely improving, and this improvement together with the increase in Governmental Departments and Commissions whose legislation is directly or indirectly concerned with Costs, makes the value of our work of increasing importance. Vigorous membership committees should be established in each Chapter. No organization can stand still.

Signed on behalf of Committee on Chapter Activities

D. R. PATTON

P. W. WRIGHT

Montreal,
May 25, 1935.

